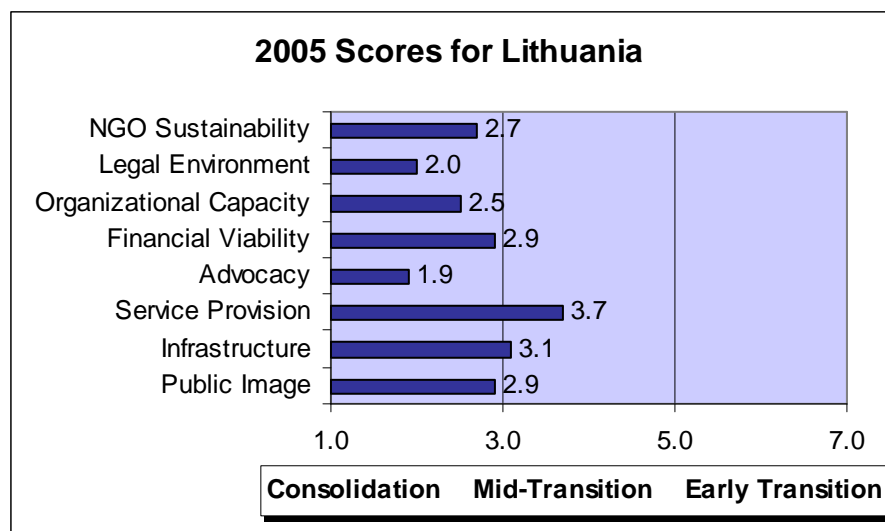


Lithuania



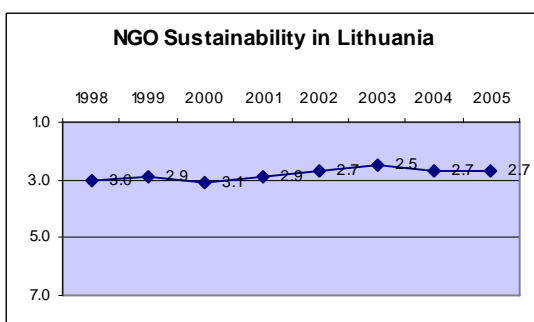
Capital: Vilnius

Polity: Parliamentary democracy

Population: 3,585,000

GDP per capita (PPP): \$13,900

NGO SUSTAINABILITY: 2.7



Having reached the consolidation stage, the Lithuanian NGO sector is undergoing qualitative rather than quantitative developments. The number of NGOs did not change significantly and organizations are located throughout the country, in both rural and urban areas. Communities continue to mobilize, and use NGOs to meet their needs.

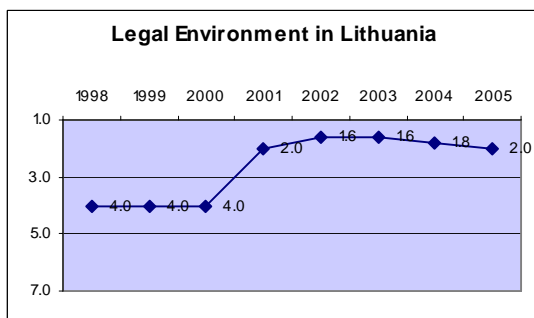
Not all types of NGOs have achieved the same level of development. Women's rights organizations and youth groups create the strongest networks in terms of sharing information and cooperation.

The inability of NGOs to sell their services and the absence of institutions to advocate for the sector's interests are the two weakest aspects of the sector's development. In order to access significant funding from the E.U., NGOs need to come to an agreement with the government over co-funding their activities. While it is fashionable for local and national governments to invite NGOs to participate in decision-making, NGO representation is not strong enough. NGOs continue to be unable to publicize their efforts so that the public better understands the sector's role.

LEGAL ENVIRONMENT: 2.0

In 2002, Parliament adopted a "2% law," which permits an individual to designate 2% of his or her income tax liability to a designated non-profit entity. Since the passage of the law, the NGO sector has not had any support from lawmakers. Laws and regulations that were recently enacted indicate that legislatures do not understand the needs of the non-profit sector. For example, the law holds NGOs to

the same financial standards as for-profit corporations. Amendments to the Law on Profits, which took effect January 1, 2005 and applies to NGOs as well as businesses, place a 15% tax on revenues generated from providing services, selling products, and leasing assets, if the organization makes more than Lt 25,0000 (\$800 USD).



The Non-Profit Accounting Rules, enacted in the beginning of 2005, are a positive development, in that no other special accounting regulations existed before. The drafters of the law, however, did not give adequate consideration to the specifics of non-profit financing, essentially copying business accounting standards. The State Tax Inspectorate, which issues comments on new laws, has yet to issue any comments on the Non-Profit Accountancy Rules, which leaves significant leeway for interpretation. NGOs are unsure how individual inspectors will interpret a provision, raising fears that random tax inspections will lead to fines.

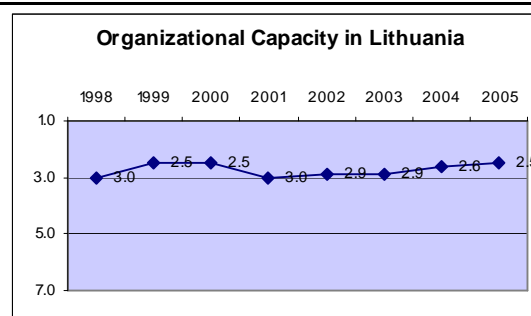
The NGO sector is worried about a new law that Parliament is considering. The law is intended to prevent money laundering, and, if passed, will require that any cash donations from a business over Lt 7,000 be taxed at a rate of 15%. The provision would not apply to bank transfers, but may have a negative impact on cooperation between the business and NGO sectors. Another mechanism to control the use of funds by non-profits has not been effective. Since June 2004, an NGO wanting to receive charitable contributions must acquire a certificate issued by the State Registry to show its charity recipient status. Though still in effect, this requirement is obsolete, as now any organization registered as a non-profit entity can receive the document after paying a small fee, even if it is an active NGO or an unknown organization “on-paper.”

Apart from a few financial impediments, NGOs are able to operate freely within the law. NGOs are free to criticize the local and national governments and have significant voice in public debate.

ORGANIZATIONAL CAPACITY: 2.5

The changes in funding sources and withdrawal of traditional donors have forced NGOs to reconsider their priorities and become more responsive to their local constituencies. This has led to contracts with local governments and community members, and increased the number of volunteers. In order to diversify funding, NGOs have become more business-like in their strategic planning. NGOs also continue to learn how to use their Board of Directors more effectively. The NGO sector continues to have staffing difficulties. NGOs have a high rate of employee turnover, and many people work at an organization as their second job. Employees gain valuable experience in the NGO sector, which makes them more competitive in the public labor market where they are able to receive higher salaries and greater benefits.

E.U. structural funds provide new possibilities for increasing employment opportunities in the people; rather, those who work under

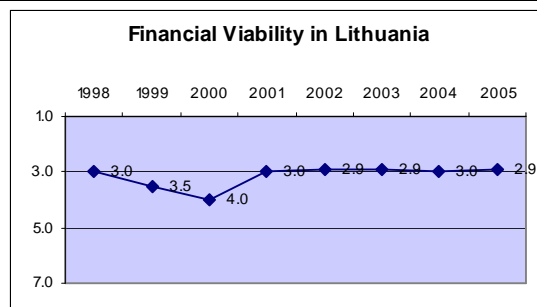


“authorship” agreements can potentially be hired full-time. Employment grants provide employees with more benefits, which are an incentive that may keep more people from leaving the NGO sector. Over the past year, NGOs have continued to improve their working conditions. NGOs have greater access to the internet. Many organizations have renovated their offices or moved to new ones, and many obtained new office equipment. The State Council of Youth Affairs and the State Council of Handicapped Affairs purchased new

computers and multifunctional machines were

made available to NGOs.

FINANCIAL VIABILITY: 2.9



Local funding and in-kind donations have become increasingly important. NGOs have been able to decrease the time they spend recruiting volunteers because university students looking for internships and high school students fulfilling social-work credits are turning to the NGO sector. Many organizations lack the capacity to manage volunteers, some of which are turned away because there is no one to coordinate their assignments or provide training and supervision.

Income from the “2%” personal income tax designation has already begun to reach NGOs, and is especially important for those organizations working at local and regional levels, which continue to depend on municipal governments as a main source of funding. Since 2003, local governments are more transparent in their funding of NGOs. Each municipality has developed a fundraising strategy that is available to the public. For example, in Kaunas, the

municipal government made 2 million Lt available to NGOs through eight programs, and another 7 million Lt in programs that are open to both the NGO and business sectors.

As the Lithuanian economy grows, businesses become wealthier and more willing to cooperate with NGOs. Businesses and several of the stronger NGOs are now creating long-term agreements of support. The majority of the NGO sector is still unable to provide the guarantees necessary to be reliable partners. NGOs have similar problems with E.U. support; organizations are unable to access E.U. funds unless they are able to pledge that they can maintain their offices, ensure sustainability, and other requirements. NGOs must have funding to be able to apply for and receive E.U. funding. NGOs, especially those in the rural areas, do not have adequate access to accountants familiar with NGO operations.

Trilateral projects have recently become a source of funding for NGOs. Foreign donors fund Lithuanian NGOs to work in Belarus, Ukraine, Moldova, and other transition countries in Europe and Asia. NGOs put significant effort into diversifying their support, and apply new fundraising strategies. Long-term projects are not readily available, however, and organizations do not have enough resources to remain viable for more than several months.

ADVOCACY: 1.9

NGOs and government institutions at the national and local levels have increased cooperation in several areas. The National Strategy of Welfare of a Child, the Consolidated National Plan of Action to Reduce Poverty, and the National Plan of Action to Fight Trafficking in People were all adopted with significant roles for NGOs. Community organizations have demonstrated their ability by advocating for REIN, a regional program. Two hundred organizations signed a petition requesting that the government install

broadband Internet in the rural areas of Lithuania.

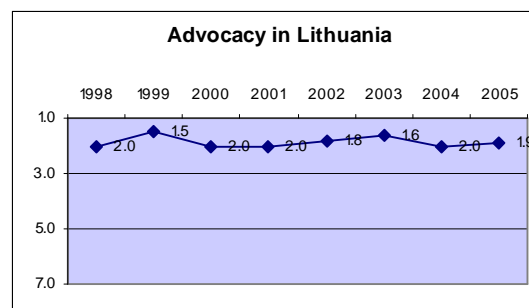
Government officials have learned the importance of including NGOs in the decision-making process, and are required to involve NGOs in deciding how E.U. structural funds ought to be allocated. Public participation is becoming a strong tradition, though NGO participation in policy-making is not yet strong enough. NGOs make recommendations on public policy, but they are not included or come too late to have an impact. At times the

government seeks to ensure quantitative representation and only invites NGO representatives who will not cause problems. NGOs do not have strong advocacy skills or an institution that advocates for the sector's interests. Transparency International recently initiated the Citizen's Alliance Against Corruption, to study how E.U. funds are distributed.

In 2006, the State Council of Youth Affairs and the State Council for Handicapped Affairs will become government institutions; their ability to advocate for their constituents is sure to be adversely affected. Lobbying for NGO interests has been chaotic and ineffective in bringing about systematic changes. Members of the Seimas that want to build visibility and popularity with the public occasionally summon NGOs to provide their views and opinions on certain issues. NGOs are often invited to make presentations at conferences held by the Seimas or the government.

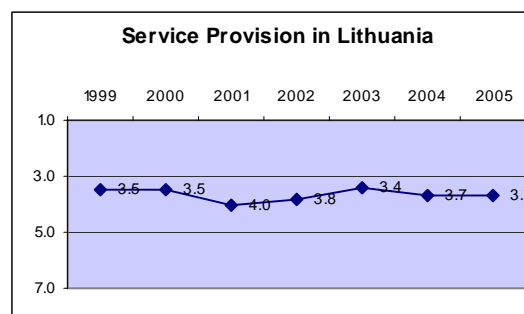
SERVICE PROVISION: 3.7

In an effort to sustain their activities, NGOs struggle to identify products they can sell. In the provinces, it is common for NGOs that work with handicapped, elderly, or women's crisis centers to offer English or computer classes to the community for a fee. The range of services and products is small and NGOs seldom build clientele beyond their own membership. Focused on their traditional products and services, NGOs fail to realize the needs of their communities. For example, NGOs in bigger cities could help meet the demand for child care and home nursing by offering such services. NGOs generally do not have experience in marketing and are hesitant to offer their products and services to the market. Though the laws were repealed two years ago, many people continue to believe that non-profits are not permitted to earn money. Until this idea changes, NGOs will continue to struggle to recover their costs and will face more challenges in generating additional funds by providing goods and services.



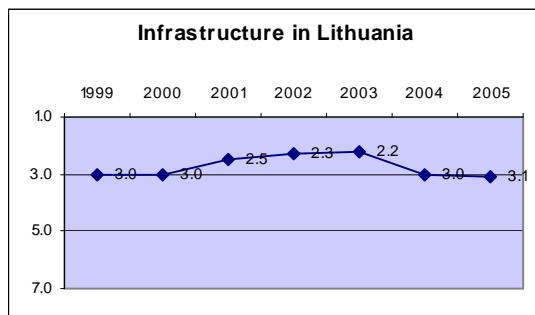
Local advocacy and lobbying mechanisms have allowed more qualitative participation of NGOs than those on the national level. Some mechanisms include thematic roundtables within the municipalities and Local Action Groups under the E.U. Leader + Program, which consists of thirty-three groups that formulate regional development strategies. They cover all regions of Lithuania and have clear rules of representation; twenty-five percent are from the local governments, twenty-five percent from the business community, and fifty percent are community representatives.

Local governments have increased the services they purchase from NGOs. Organizations



compete for funds to organize summer camps and provide care for both children and the elderly. Municipalities tend to shift from being service providers to coordinators of services, which offers NGOs more opportunity to sell their products to local governments. The absence of procurement regulations, however, allows municipalities to create standards that only government-created organizations can meet.

INFRASTRUCTURE: 3.1



NGO information and support centers continue to stagnate. The centers have not reviewed their missions, do not collect membership fees, and lack good leadership. The NGO sector is accustomed to receiving information and support free of charge and is unwilling to pay for products or services from the centers. The Labor Exchange pays for courses on employment opportunities in the NGO sector and models for creating an NGO, but these are fairly insignificant.

While NGO information and support centers struggle to survive, the NGO sector does not have an organization that represents the sector as a whole. Strong networks of community

organizations and organizations dedicated to women's issues have taken on the role of dissemination of information.

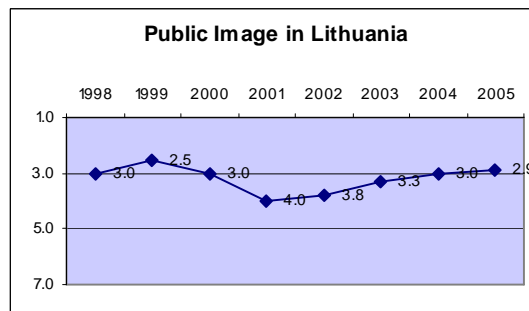
Another community foundation was created this year. All six of the community foundations are young and have only recently begun to distribute small grants, which gives them greater visibility.

Local Action Groups created under the Europeans Union Leader + Program have reshaped former regional associations and disrupted local initiatives. Community leaders, who are the focus of this initiative, have abandoned their previous projects and become involved in Local Action Groups, which has weakened the former associations. The Leader + Program has strict requirements and heavy workloads, and the unavailability of small grants has led to pessimism among NGOs regarding inter-sectoral partnerships. NGOs now realize that local bureaucracy is an unnecessary burden on them, and is in part a result of public servants wanting to avoid responsibility and protect their image with the E.U. institutions.

PUBLIC IMAGE: 2.9

No study or analysis of the NGO sector's public image exists, though it could be easily done by the regional NGO information and support centers. The growing number of volunteers and increase of local funding both evidence that community members have increased their trust and knowledge of local organizations. The lack of conceptual clarity inhibits the public's understanding of what is an NGO. The "2%" law has exacerbated the situation by putting NGOs in the same category as churches, hospitals, schools, and kindergartens. With the exception of churches, these institutions are financed by the state, but they are able to compete on equal grounds with NGOs. The NGO sector has an ongoing discussion about how to distinguish NGOs from the other non-profit organizations. Until the public understands the difference between the NGOs and the others, organizations will have a

difficulties competing for individual donations and adequate attention from legislators. Other than these discussions, NGOs have made no effort to educate the public about the differences between NGOs and other non-profit entities. The Lithuanian Women's Assembly is an exception. In August, the Assembly brought together women's organizations from all over the country and presented itself to the media and society as a whole.



The regional media outlets are generally supportive of local NGOs, though the same is not true of the national press, which limits its coverage to money laundering or the misuse of funds. Such coverage has an impact on the views that the public and lawmakers have of NGOs. Several of the stronger NGOs manage to attract positive media coverage and have been able to build a good public image.

Government recognition of NGOs has grown. Officials have realized that NGOs have access to their constituencies, and invite NGO representatives to join working groups and commissions. International Volunteer's Day, an event sponsored by the President's office, was one indication that the government's perception

of the NGO sector is positive; several NGOs received Presidential awards. The government does not always have good intentions when partnering with NGOs. At times, government officials use organizations to evade responsibility or benefit from funds that can only be obtained by NGOs.

The business community increasingly recognizes that NGOs are a source of new ideas and enthusiasm. Public relations companies are increasingly calling upon NGOs for clients that are looking for public relations projects. In a way, cooperation with NGOs is in fashion among businesses, though it is unclear whether NGOs will truly benefit.